

**S2 GRANTS PROGRAM
FOR THE STATE REVOLVING FUND (SRF) AND THE STRATEGIC WATER QUALITY
INITIATIVES FUND (SWQIF) APPLICANTS
F.A.Q.**

1. WHAT IS THE S2 GRANTS PROGRAM?

On December 1, 2005, Michigan's Governor Jennifer M. Granholm signed into law a series of bills that were passed in the 2005 legislative session that, taken together, created the S2 Grants Program. The sole purpose of the S2 Grant program is to provide grant assistance to municipalities to cover the costs of completing an application to the SRF and/or the SWQIF for low-interest loan assistance. It is hoped and expected that this assistance will enable municipalities to better address their wastewater systems' needs and solve water quality problems they are experiencing.

2. WHAT ARE THE NAMES OF THE BILLS AND WHAT DO THEY DO?

The following bills were signed by Governor Granholm:

[House Bill 4572](#): Established the grant program and provides specifics on how much money will be made available and when;

[Senate Bill 789](#): Added grants as a component of the previously enacted SWQIF authorization;

[Senate Bill 799](#): Made project planning services an eligible cost in the SRF and SWQIF loan programs;

[Senate Bill 790](#): Added grant language to Part 52, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA);

[House Bill 4573](#): Reestablishes a 90 percent/10 percent split of Great Lakes Water Quality Bonds into the SRF and SWQIF, and allows the state to sell/issue bonds for either fund independent of the other; and

[House Bill 5297](#): Authorizes the Michigan Municipal Bonding Authority (MMBA) to provide grants and gives local governments the authority to enter into grant agreements with the state.

3. HOW MUCH GRANT MONEY IS AVAILABLE?

Grants totaling not more than \$40 million have been authorized. A municipality cannot receive more than \$1 million in total for the duration of the program.

4. HOW LONG WILL THE MONEY LAST?

Grant applications will be accepted for two years after the first grant is awarded, or until the money runs out, whichever occurs first. As of July 1, 2006, the DEQ had received 77 applications requesting approximately \$35 million of the \$40 million available.

5. WHAT CAN THE MONEY BE USED FOR? WHAT SERVICES ARE ELIGIBLE?

These grants are to be used for the planning and design of sewage treatment works projects, stormwater treatment projects, or nonpoint source projects, and for the development of a revenue system.

Examples of eligible planning costs include flow monitoring, infiltration/inflow analyses, sewer system evaluation surveys, soil surveys, environmental surveys, wetlands surveys, archeological surveys (compliance with State Historical Preservation Office requirements), public hearing advertisement and activities, as well as any other activities necessary for completion of a SRF/SWQIF project plan. The proposed Plan of Study Area (POSA) and scope of planning services must receive DEQ-District Office approval prior to any grant application approval.

Eligible design engineering costs include work necessary for the preparation and completion of final plans and specifications. Other eligible activities include preparing a basis of design, and completing a value engineering report. Bidding services are not grant eligible. Design costs will not be awarded unless a project plan is substantially complete and approvable.

Examples of eligible revenue system development costs include contract/vendor fees for the preparation or amendment of sewer use and rate ordinances, preparation or revision of intermunicipal service agreements, submittal of the proposed budgets and rate methodologies for DEQ review, and related work.

6. ARE “PILOT STUDIES” GRANT ELIGIBLE COSTS?

If planning and design services involve pilot studies to demonstrate the effectiveness of a technology, the grant can cover these costs. However, the pilot study is not grant eligible if it results in permanent construction that will become a tangible asset.

(Example: a footing drain disconnection “demonstration” project would not be grant eligible since it involves permanent construction.)

7. HOW SOON CAN A GRANT APPLICATION BE MADE?

Grant applications can be submitted at anytime; however, grants will be batch-processed and awarded on a quarterly basis in October, January, April, and July. The application is available as a fill-able .pdf form on the DEQ website at S2 Grant Application. Please use the application “AS IS” and do not try to alter it. Grants will be available for projects applying for SRF/SWQIF loan assistance on the Fiscal Year (FY) 2007 Project Priority List and beyond.

8. WHAT IF MY COMMUNITY IS ABOUT TO BEGIN, OR ALREADY HAS BEGUN, A PROJECT PLAN? DO WE STILL QUALIFY FOR A GRANT?

Yes, you may apply for a grant and are encouraged to do so. Please continue to prepare a plan as you normally would for submittal to the DEQ just as before. Costs you have already incurred on or after December 1, 2005, (the effective date of the legislation) can be included in your application. Costs incurred prior to December 1, 2005, are not eligible for grant funding, but are eligible for SRF/SWQIF loan funding.

9. IS A LOCAL MATCH REQUIRED?

YES, the grant program will not provide more than 90 percent of costs incurred by the municipality to complete the application. There is a 10 percent local match required.

10. IS THE LOCAL MATCH ELIGIBLE FOR SRF OR SWQIF LOAN ASSISTANCE?

No. Please refer to [P.A. 254 of 2005](#), Section 5204(a)(2)(b) (Introduced as H.B. 4572).

11. WHAT FINANCIAL REQUIREMENTS MUST BE MET BY APPLICANTS TO BE APPROVED FOR A GRANT?

A certified copy of an authorizing resolution from the municipality is all that will be required. A standard resolution form has been made a part of the S2 Grant Application, and must not be changed. Furthermore, the sample Grant Agreement MUST be attached to the resolution and not altered in any way.

12. WHAT COST DOCUMENTATION WILL BE REQUIRED IN THE GRANT APPLICATION?

You must provide a copy of an executed contract for services in excess of \$50,000. For estimated costs below \$50,000, provide either a contract or a letter from the vendor detailing the services to be provided and their associated costs. For all incurred costs, provide invoices or proof of payment.

13. WHAT HAPPENS IF THE PROJECT NEVER GETS COMPLETED BY THE GRANT RECIPIENT?

That depends. If the community files a complete application for an SRF or SWQIF loan, but is not in the fundable range, the grant does not have to be repaid. If the grant recipient fails to submit an administratively complete SRF or SWQIF loan application within three years, or is offered a SRF or SWQIF loan and declines it, the grant must be repaid with interest.

14. WHAT CONSTITUTES AN ADMINISTRATIVELY COMPLETE SRF/SWQIF LOAN APPLICATION?

For purposes of this grant program, the three basic elements that are eligible for grant assistance are also the activities that need to be completed and approved to receive an SRF or SWQIF loan. These include the project plan, plans and specifications suitable for bidding, and the user charge system.

15. DOES THE GRANT HAVE TO BE REPAID IF ONLY A PORTION OF THE PROJECT IS CONSTRUCTED WITH A SRF/SWQIF LOAN?

The scope of work recommended in the project plan for implementation within three years of receiving a grant award is the "project" that needs to get constructed via a SRF/SWQIF loan to avoid repayment. For project plans that identify segments of work that have varying start dates for construction, an implementation schedule needs to be identified in the project plan, with at least the first segment of the project correlating with a start date that meets the three year requirement.

16. WHAT IF AN OPPORTUNITY EXISTS TO CAPTURE OTHER GRANT FUNDS TO ASSIST WITH CONSTRUCTING THE PROJECT?

Financing some portion of the project through other means of assistance outside the SRF/SWQIF (grants, loans, cash-on-hand) will not necessarily require repayment of the grant. However, these projects will be reviewed on a case-by-case basis, with the understanding that the "other" assistance will not be a substantial portion of the overall funding.

17. UNDER WHAT OTHER CIRCUMSTANCES WOULD THE GRANT HAVE TO BE REPAID?

If the project is built with the use of other financing outside of the SRF and/or SWQIF programs, the grant will have to be repaid with interest.

18. IN THE EVENT OF REPAYMENT, FROM WHAT POINT WOULD INTEREST ACCRUE?

Interest would be calculated, at a rate not to exceed 8 percent, from the date(s) that grant funds were drawn by the grantee.

19. WHAT OTHER RESTRICTIONS APPLY?

Grant funds cannot be used for general local government administrative activities or activities performed by municipal employees.

20. IS PLANNING AN ELIGIBLE COST ITEM NOW IN THE SRF AND SWQIF PROGRAMS?

Yes, beginning in the 2nd quarter of FY 2006, planning costs are eligible for inclusion in an SRF and/or SWQIF loan. Communities that do not receive grant assistance for planning activities will be able to include those costs in their loan application(s).

21. WHERE CAN I GET MORE INFORMATION?

Watch this web page for updates. You may also write, phone, or e-mail the DEQ:

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OR

For financial questions, the Department of Treasury, Michigan Municipal Bond Authority contact is:

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